PARTNERSHIP. COMMON JOURNAL ENTRIES.

THE FOLLOWING ENTRIES REMAIN SAME (COMMON) IN ADMISSION, RETIREMENT AND DEATH OF A PARTNER.

1. REVALUATION OF ASSETS AND LIABILITIES.
a. FOR INCREASE IN VALUE OF ASSETS AND DECREASE IN THE VALUE OF LIABILITIES:
ASSETS A/C DR (WITH INCREASE IN VALUE)
LIABILITES A/C DR (WITH DECREASE IN VALUE)
TO REVALUATION A/C.
b. FOR DECREASE IN VALUE OF ASSETS AND INCREASE IN THE VALUE OF LIABILITIES:
REVALUATION A/C DR
TO ASSETS A/C (WITH DECREASE IN VALUE)
TO LIABILITIES A/C (WITH INCREASE IN VALUE)
c. FOR PROFIT/LOSS ON REVALUATION:
FOR PROFIT: REVALUATION A/C DR
TO OLD PARTNERS CAPITAL A/C (IN OLD RATIO)
<u>FOR LOSS:</u> OLD PARTNERS CAPITAL A/C DR (IN OLD RATIO) TO REVALUATION A/C
2. FOR GOODWILL APPEARING IN THE BALANCE SHEET:
OLD PARTNERS CAPITAL/CURRENT A/C DR
TO GOODWILL A/C
(BEING GOODWILL WRITTEN OFF AMONG THE OLD PARTNERS IN OLD RATIO)
3. FOR ACCUMULATED PROFITS & GENERAL RESERVES:
GENERAL RESERVES A/C DR
RESERVE FUND A/C DR
PROFIT & LOSS (CR BALANCE) DR
TO OLD PARTNERS CAPITAL A/C (IN OLD RATIO)
4. FOR LOSSES & FICTITIOUS ASSETS:
OLD PARTNERS CAPITAL A/C DR (IN OLD RATIO)
TO PROFIT & LOSS (DR BALANCE)
TO ADVERTISEMENT SUSPENSE A/C
TO PRELIMINARY EXPENSES A/C
NOTE: ENTRIES NO: 2, 3 & 4 MUST BE PASSED EVEN IF THE QUESTION IS SILENT ON THESE MATTER.
5. FOR WORKMEN COMPENSATION RESERVE/ FUND.
A. <u>IF NO CLAIM/ ADJUSTMENT IS GIVEN:</u>
WORKMEN COMPENSATION RESERVE A/C DR (ENTIRE AMOUNT OF RESERVE)
TO OLD PARTNERS CAPITAL/ CURRENT A/C (IN OLD RATIO)
B. <u>IF CLAIM / ADJUSTMENT IS GIVEN:</u>
1. IF AMOUNT OF RESERVE IS MORE THAN THE AMOUNT OF CLAIM:
WORKMEN COMPENSATION RESERVE A/C DR (ENTIRE AMOUNT OF RESERVE)
TO OLD PARTNERS CAPITAL/ CURRENT A/C DR (EXCESS OF RESERVE OVER CLAIM IN OLD RATIO)
TO PROVISION FOR WORKMEN COMPENSATION CLAIM A/C (AMT TO BE SHOWN IN BALANCE SHEEET)
2. IF AMOUNT OF RESERVE IS LESS THAN THE AMOUNT OF CLAIM:
WORKMEN COMPENSATION RESERVE A/C DR (FULL AMOUNT OF RESERVE)
REVALUATION A/C DR (SHORTAGE OF RESERVE OVER CLAIM)
TO PROVISION FOR WORKMEN COMPENSATION CLAIM A/C (AMT TO BE SHOWN IN BALANCE SHEEET)

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3. <u>IF AMOUNT OF RESERVE IS EQUAL TO THE AMOUNT OF CLAIM:</u> WORKMEN COMPENSATION RESERVE A/C DR TO PROVISION FOR WORKMEN COMPENSATION CLAIM A/C

6. FOR INVESTMENT FLUCTUATION RESERVE / FUND.

A. IF MARKET VALUE IS EQUAL TO BOOK VALUE:

INVESTMENT FLUCTUATION RESERVE A/C TO OLD PARTNERS CAPITAL/ CURRENT A/C

B. IF MARKET VALUE IS LESS THAN BOOK VALUE:

- 1. FALL IN VALUE IS LESS THAN RESERVE: INVESTMENT FLUCTUATION RESERVE A/C TO INVESTMENT A/C TO PARTNERS CAPITAL / CURRENT A/C
- 2. <u>FALL IN VALUE IS MORE THAN RESERVE:</u> INVESTMENT FLUCTUATION RESERVE A/C REVALUATION A/C TO INVESTMENT A/C
- 3. <u>IF FALL IN VALUE IS EQUAL TO RESERVE:</u> INVESTMENT FLUCTUATION RESERVE A/C TO INVESTMENT A/C
- C. IF MARKET VALUE IS MORE THAN BOOK VALUE:

INVESTMENT FLUCTUATION RESERVE A/C TO OLD PARTNERS CAPITAL/ CURRENT A/C

INVESTMENT A/C TO REVALUATION A/C DR (ENTIRE AMOUNT OF RESERVE) (IN OLD RATIO)

- DR (FULL AMT OF RESERVE) (BOOK VALUE – MAKET VALUE) (EXCESS RESERVE IN OLD RATIO)
- DR (FULL AMT OF RESERVE)
- DR (SHORTAGE OF RESERVE)

DR (ENTIRE AMOUNT OF RESERVE) (IN OLD RATIO) (INCREASE IN VALUE OF INVESTMENT)

REFER TO ILLUSTRATIONS: 38, 39 & 40,0F THE TEXT BOOK, FOR BETTER UNDERSTANDING.

7. IF ASSETS AND LIABILITIES CONTINUE TO APPEAR AT OLD VALUES IN THE BOOKS.

(IN THIS CASE ADJUSTMENT IS DONE THROUGH PARTNERS CAPITAL / CURRENT A/C).

STEP 1. CALCULATION OF THE NET EFFECT OF REVALUATION:	
INCREASE IN THE VALUE OF ASSETS	XXX
ADD: DECREASE IN THE VALUE OF LIABILITIES	XXX
LESS: DECREASE IN THE VALUE OF ASSETS	XXX
LESS: INCREASE IN THE VALUE OF LIABILITIES	XXX
PROFIT/LOSS ON REVALUATION	XXX

- STEP 2: FIND THE GAINING OR SACRIFICING RATIO OF THE PARTNERS DUE TO CHANGE IN RATIOS. (E.G. OLD RATIO – NEW RATIO)
- STEP 3. MULTIPLY THE GAINING OR SACRIFICING RATIO WITH PROFIT/ LOSS ON REVALUATION (STEP 1).
- STEP 4. PASS THE FOLLOWING ENTRIES:

GAINING PARTNERS CAPITAL/CURRENT A/C	DR
TO SACRIFICING PATNERS CAPITAL / CURRENT A/C	
(FOR PROFIT ON EVALUATION).	

SACRIFICING PARTNERS CAPITAL/CURRENT A/C DR TO GAINING PATNER CAPITAL/CURRENT A/C. (FOR LOSS ON REVALUATION).